

## Internal Revenue Service

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PLR-126820-11

Date:

September 27, 2011

### LEGEND:

Parent =

Sub1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Sub 16 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LP =

Entity 1 =

Entity 2 =

Business A =

Business B =

a =

b =

c =

d =

e =

f =

g =

h =

Dear :

This letter responds to your June 24, 2010 letter requesting rulings on certain federal income tax consequences of the Proposed Transaction (defined below). The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by the appropriate parties. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

### Summary of Facts

Parent is the common parent of an affiliated group whose includible corporations join in filing a consolidated federal income tax return (the "Parent Group"). The authorized and outstanding capital stock of Parent consists of one class of common stock, which is publicly traded and widely held.

Parent wholly owns Sub 2 and Sub 3, owns a percent of Sub 1 and owns shares of common stock of Sub 4. Sub 1 wholly owns Sub 5 and LLC 1. Sub 5 wholly owns Sub 6 and all of the common stock of Sub 8. Sub 6 wholly owns Sub 7, which owns voting preferred stock in Sub 8. Sub 14 owns nonvoting preferred stock in Sub 8. Sub 8 wholly owns Sub 9 and b percent of the partnership interests in LP. Sub 9 wholly owns LLC 2 and LLC 3. LLC 2 owns c percent of the interests in Entity 1, and LLC 3 owns the remaining d percent. LLC 3 also owns e percent of the partnership interests in LP. LP owns f percent of Sub 1.

Sub 2 wholly owns Sub 10, which wholly owns LLC 4 and LLC 5. LLC 4 owns g percent of the interests in Entity 2, and LLC 5 owns the remaining h percent. Entity 2 wholly owns Sub 11, Sub 12, Sub 13, and Sub 14.

Sub 3 wholly owns Sub 15. Sub 4 wholly owns Sub 16. Sub 8 and Sub 14 own stock in various foreign subsidiaries (collectively, the "Foreign Subsidiaries").

In addition to the shares owned by Parent, shares of Sub 4 common stock are also owned by Entity 1, Entity 2, Sub 12, and LLC 1.

LLC 1 through LLC 5 are each classified as an entity intended to be disregarded as separate from its owner for federal income tax purposes under Treasury Regulation section 301.7701-3. Entity 1 and Entity 2 have elected under Treasury Regulation section 301.7701-3 to be treated as associations for U.S. federal income tax purposes.

The Parent Group conducts Business A and Business B, among other businesses. In order to simplify its corporate structure and obtain various corresponding corporate benefits, Parent has proposed to consolidate and align those entities conducting Business A and Business B.

### **Proposed Transaction**

To accomplish the foregoing business objectives, Parent proposed the following series of transactions, some of which have been completed (the “Proposed Transaction”):

- (i) LP liquidated and distributed its sole asset, the stock of Sub 1, to its partners, LLC 3 and Sub 8, in exchange for their partnership interests.
- (ii) Sub 8 changed its name.
- (iii) Parent will contribute its Business B assets (the “Historic Parent Business B Assets”) to Sub 2 and will receive no consideration from Sub 2 (the “Parent Business B Contribution”).
- (iv) Sub 2 will contribute the Historic Parent Business B Assets to Sub 10 and will receive no consideration from Sub 10 (the “Sub 2 Business B Contribution”).
- (v) a. Sub 10 will contribute an undivided g percent and h percent of the Historic Parent Business B Assets to LLC 4 and LLC 5, respectively (the “Sub 10 Disregarded Contributions”).
  - b. LLC 4 will contribute the Historic Parent Business B Assets it receives from Sub 10 to Entity 2 and will receive no consideration from Entity 2 (the “First Sub 10 Business B Contribution”).
  - c. LLC 5 will contribute the Historic Parent Business B Assets it receives from Sub 10 to Entity 2 and will receive no consideration from Entity 2 (the “Second Sub 10 Business B Contribution” and, together with the Sub 10 Disregarded Contributions and the First Sub 10 Business B Contribution, the “Sub 10 Business B Contribution”).

(vi) Entity 2 will contribute the Historic Parent Business B Assets and its own Business B assets to Sub 8 in exchange for Sub 8 voting preferred stock (such stock, the "New Sub 8 Preferred Stock," such contribution, the "Entity 2 Business B Contribution").

(vii) LLC 1 will merge into Sub 1.

(viii) Parent will contribute its Sub 4 stock to Sub 1 and will receive no consideration from Sub 1 (the "Parent Sub 4 Contribution").

(ix) Parent will contribute its Sub 2 stock to Sub 1 and will receive no consideration from Sub 1.

(x) Sub 12 will merge into Entity 2.

(xi) Sub 13 will merge into Entity 2.

(xii) Sub 14 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (Sub 14 after such conversion, "Sub 14 LLC").

(xiii) Sub 11 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (Sub 11 after such conversion, "Sub 11 LLC").

(xiv) Entity 2 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (Entity 2 after such conversion, "Entity 2 LLC").

(xv) LLC 4 will merge into Sub 10.

(xvi) LLC 5 will merge into Sub 10.

(xvii) Sub 10 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (Sub 10 after such conversion, "Sub 10 LLC").

(xviii) Sub 2 will merge into Sub 1 (collectively with step ix, the "Sub 2 Reorganization").

(xix) Entity 2 LLC will distribute all of the Sub 14 LLC membership interests and its Sub 4 stock to Sub 10 LLC.

(xx) Sub 10 LLC will distribute all of the Sub 14 LLC membership interests and its Sub 4 stock to Sub 1.

(xxi) Sub 14 LLC will distribute its Sub 8 nonvoting preferred stock to Sub 1.

(xxii) Entity 2 LLC will distribute the New Sub 8 Preferred Stock to Sub 10 LLC.

(xxiii) Sub 10 LLC will distribute the New Sub 8 Preferred Stock to Sub 1.

(xxiv) Sub 1 will contribute its Sub 4 stock (including the Sub 4 stock received in step xx), its Sub 10 LLC membership interests, its Sub 14 LLC membership interests, its Sub 8 nonvoting preferred stock, and the New Sub 8 Preferred Stock to Sub 5 and will receive no consideration from Sub 5 (the “Sub 1 Miscellaneous Contribution”).

(xxv) Sub 5 will contribute all of its Sub 8 common stock, Sub 8 nonvoting preferred stock, and the New Sub 8 Preferred Stock to Sub 4 and will receive no consideration from Sub 4.

(xxvi) Sub 7 will contribute its Sub 8 voting preferred stock to Sub 4 in exchange for Sub 4 voting preferred stock with identical terms (the “Sub 7 Sub 8 Contribution”).

(xxvii) Entity 1 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (Entity 1 after such conversion, “Entity 1 LLC”).

(xxviii) LLC 2 will merge into Sub 9.

(xxix) LLC 3 will merge into Sub 9.

(xxx) Sub 9 will merge into Sub 8.

(xxxi) Sub 8 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (collectively with steps xxv-xxvi, the “Sub 8 Reorganization”; Sub 8 after such conversion, “Sub 8 LLC”).

(xxxii) Sub 8 LLC will distribute the stock of the Foreign Subsidiaries it owns and its Sub 1 stock to Sub 4.

(xxxiii) Sub 4 will cancel its common stock owned by Entity 1 LLC.

(xxxiv) Sub 5 will contribute its membership interests in Sub 10 LLC and Sub 14 LLC to Sub 4 and will receive no consideration from Sub 4 (the “Sub 5 Sub 10/Sub 14 LLC Contribution”).

(xxxv) Parent will contribute its Sub 3 stock to Sub 1 and will receive no consideration from Sub 1.

(xxxvi) Sub 15 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (Sub 15 after such conversion, "Sub 15 LLC") (collectively with steps x-xvii, xxvii-xxx, the "Lower-Tier Transactions").

(xxxvii) Sub 3 will convert to a limited liability company for which no election under Treasury Regulation section 301.7701-3 will be made to be treated as an association for U.S. federal income tax purposes (collectively with step xxxv, the "Sub 3 Reorganization;" Sub 3 after such conversion, "Sub 3 LLC").

(xxxviii) Sub 1 will contribute its membership interests in Sub 3 LLC to Sub 5 and will receive no consideration from Sub 5 (the "Sub 1 Sub 3 LLC Contribution").

(xxxix) Sub 5 will contribute its membership interests in Sub 3 LLC to Sub 4 and will receive no consideration from Sub 4 (the "Sub 5 Sub 3 LLC Contribution").

(xl) Sub 15 LLC will merge into Entity 2 LLC.

(xli) Parent will contribute its Business A assets (the "Historic Parent Business A Assets") to Sub 1 and will receive no consideration from Sub 1 (the "Parent Business A Contribution").

(xlii) Sub 1 will contribute the Historic Parent Business A Assets to Sub 5 and will receive no consideration from Sub 5 (the "Sub 1 Business A Contribution").

(xliii) Sub 5 will contribute the Historic Parent Business A Assets to Sub 4 and will receive no consideration from Sub 4 (the "Sub 5 Business A Contribution").

(xliv) Sub 8 LLC will distribute its Business A assets to Sub 4.

(xlv) Sub 4 will contribute its Business A assets (including the Historic Parent Business A Assets and other assets received in the prior steps of the Proposed Transaction) to Sub 10 LLC and will receive no consideration from Sub 10 LLC.

(xlvi) Sub 10 LLC will contribute those assets received from Sub 4, in step (xlv), to Entity 2 LLC and will receive no consideration from Entity 2 LLC.

(xlvii) Entity 1 LLC will merge into Entity 2 LLC.

(xlviii) Sub 11 LLC will merge into Entity 2 LLC.



(xlix) Sub 16 will merge into Entity 2 LLC.

(l) Sub 4 will contribute all of the stock of the Foreign Subsidiaries not already owned by Sub 14 LLC to Sub 14 LLC.

(li) Sub 1 will change its name.

(lii) Sub 5 will change its name.

(liii) Sub 4 will change its name.

## **Representations**

### The Contributions

The following representations have been made regarding the Proposed Transactions, specifically with respect to the Parent Business B Contribution, Sub 2 Business B Contribution, the Sub 10 Business B Contribution, the Entity 2 Business B Contribution, the Parent Sub 4 Contribution, the Sub 1 Miscellaneous Contribution, the Sub 5 Sub 10/Sub 14 LLC Contribution, the Sub 1 Sub 3 LLC Contribution, the Sub 5 Sub 3 LLC Contribution, the Parent Business A Contribution, the Sub 1 Business A Contribution, the Sub 5 Business A Contribution (collectively, the “Contributions” and each individually a “Contribution”). In the representations and rulings that follow, the terms “Transferor Corporation” and “Transferee Corporation” are defined for each Contribution as indicated below:

| <b>“Contribution”</b>                | <b>“Transferor Corporation”</b> | <b>“Transferee Corporation”</b> |
|--------------------------------------|---------------------------------|---------------------------------|
| Parent Business B Contribution       | Parent                          | Sub 2                           |
| Sub 2 Business B Contribution        | Sub 2                           | Sub 10                          |
| Sub 10 Business Contribution         | Sub 10                          | Entity 2                        |
| Entity 2 Business B Contribution     | Entity 2                        | Sub 8                           |
| Parent Sub 4 Contribution            | Parent                          | Sub 1                           |
| Sub 1 Miscellaneous Contribution     | Sub 1                           | Sub 5                           |
| Sub 5 Sub 10/Sub 14 LLC Contribution | Sub 5                           | Sub 4                           |
| Sub 1 Sub 3 LLC Contribution         | Sub 1                           | Sub 5                           |
| Sub 5 Sub 3 LLC Contribution         | Sub 5                           | Sub 4                           |

| <b>“Contribution”</b>          | <b>“Transferor Corporation”</b> | <b>“Transferee Corporation”</b> |
|--------------------------------|---------------------------------|---------------------------------|
| Parent Business A Contribution | Parent                          | Sub 1                           |
| Sub 1 Business A Contribution  | Sub 1                           | Sub 5                           |
| Sub 5 Business A Contribution  | Sub 5                           | Sub 4                           |

(a) (i) No stock or securities will be issued for services rendered to or for the benefit of any Transferee Corporation in connection with its Contribution, and (ii) no stock or securities will be issued for indebtedness of the Transferee Corporation in such Contribution that is not evidenced by a security or for interest on indebtedness of the Transferee Corporation which accrued on or after the beginning of the holding period of the Transferor Corporation for the debt.

(b) None of the stock to be transferred in the Contributions is “section 306 stock” within the meaning of section 306(c).

(c) The Contributions are not the result of the solicitation by a promoter, broker, or investment house.

(d) No Transferor Corporation will retain any rights in the property transferred to the respective Transferee Corporation in its Contribution.

(e) The value of the stock received in the Entity 2 Business B Contribution in exchange for accounts receivable will be equal to the net value of the accounts transferred in such contribution, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.

(f) The adjusted basis of the assets transferred by the Transferor Corporation to the Transferee Corporation in each Contribution will exceed the sum of the liabilities to be assumed by the Transferee Corporation in such Contribution (within the meaning of section 357(d)).

(g) Immediately before each Contribution, the total fair market value of the assets to be transferred by the Transferor Corporation to the Transferee Corporation in such Contribution will exceed the sum of: (i) the amount of any liabilities assumed (as determined under section 357(d)) by the Transferee Corporation in connection with such Contribution; (ii) the amount of any liabilities owed by the Transferor Corporation to the Transferee Corporation that is discharged or extinguished in connection with such Contribution; and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under section 351(a) without the recognition of gain) received by the Transferor Corporation in connection with such

Contribution. Immediately after such Contribution, the fair market value of the assets of the Transferee Corporation will exceed the amount of its liabilities.

(h) The aggregate fair market value of the assets transferred by the Transferor Corporation to the Transferee Corporation in each Contribution will equal or exceed the aggregate adjusted basis of those assets.

(i) The liabilities of the Transferor Corporation to be assumed by the Transferee Corporation in each Contribution were incurred in the ordinary course of business and are associated with the assets to be transferred.

(j) Except for indebtedness arising in the ordinary course of business, there is no indebtedness between the Transferee Corporation and the respective Transferor Corporation and there will be no indebtedness created in favor of any Transferor Corporation as a result of its Contribution.

(k) The transfers and exchanges with respect to each Contribution will occur under a plan agreed upon before the Contribution in which the rights of the parties are defined.

(l) All transfers and exchanges with respect to any Contribution will occur on approximately the same date.

(m) Taking into account (i) any issuance of additional shares of Transferee Corporation stock; (ii) any issuance of stock for services; (iii) the exercise of any Transferee Corporation stock rights, warrants, or subscriptions; a public offering of Transferee Corporation stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of the Transferee Corporation to be received in the exchange; and (iv) Treasury Regulation section 1.1502-34, the Transferor Corporation will be in "control" of the Transferee Corporation within the meaning of section 368(c) after the respective Contribution and prior to the time any Transferee Corporation terminates its existence as described in the Proposed Transactions.

(n) The Transferor Corporation will receive stock, securities or other property approximately equal to the fair market value of the property transferred to the Transferee Corporation in the Entity 2 Business B Contribution.

(o) Other than as described in the Proposed Transactions, the Transferee Corporation in each Contribution will remain in existence and retain and use the property (including by virtue of retaining contributed stock) transferred to it in a trade or business.

(p) Other than as described in the Proposed Transactions, there is no plan or intention by the Transferee Corporation in each Contribution to dispose of the transferred property other than in the normal course of business operations.

(q) Each of the parties to each Contribution will pay its own expenses, if any, incurred in connection with such Contribution.

(r) The Transferee Corporation in each Contribution will not be an investment company within the meaning of section 351(e)(1) and Treasury Regulation section 1.351-1(c)(1)(ii).

(s) The Transferor Corporation in each Contribution is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.

(t) The Transferee Corporation in each Contribution will not be a “personal service corporation” within the meaning of section 269A.

### The Reorganizations

The following representations have been made regarding the Proposed Transactions, specifically with respect to the Sub 2 Reorganization, the Sub 3 Reorganization, and the Sub 8 Reorganization (collectively, the “Reorganizations” and each individually a “Reorganization”). In the representations and rulings that follow, the terms “Target Corporation” and “Acquiring Corporation” are defined for each Reorganization below:

| <b>“Reorganization”</b> | <b>“Target Corporation”</b> | <b>“Acquiring Corporation”</b> |
|-------------------------|-----------------------------|--------------------------------|
| Sub 2 Reorganization    | Sub 2                       | Sub 1                          |
| Sub 3 Reorganization    | Sub 3                       | Sub 1                          |
| Sub 8 Reorganization    | Sub 8                       | Sub 4                          |

(u) Other than with respect to the Sub 4 stock issued in the Sub 7 Sub 8 Contribution, which is part of the Sub 8 Reorganization, no stock or other consideration will be issued in connection with any Reorganization.

(v) The Acquiring Corporation in each Reorganization will acquire at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by the Target Corporation immediately prior to such Reorganization. For purposes of this representation, amounts paid by the Target Corporation to dissenters, amounts used by the Target Corporation to pay its reorganization expenses, amounts paid by the Target Corporation to shareholders who receive cash or other property, and all redemptions and distributions (except for regular, normal dividends) made by the Target Corporation immediately preceding the transfer will be included as assets of the Target Corporation held immediately prior to such Reorganization.

(w) No plan or intent exists for any change in ownership with respect to any Acquiring Corporation after the Proposed Transaction.

(x) The Acquiring Corporation has no plan or intention to sell or otherwise dispose of any of the assets of the Target Corporation acquired in any Reorganization, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) of the Internal Revenue Code or Treasury Regulation section 1.368-2(k).

(y) The liabilities of the Target Corporation assumed by the Acquiring Corporation (as determined under section 357(d)) in each Reorganization were incurred by the Target Corporation in the ordinary course of its business and are associated with the assets deemed transferred.

(z) Following each Reorganization, the Acquiring Corporation will continue, either directly or through one or more members of the Acquiring Corporation's qualified group (within the meaning of Treasury Regulation section 1.368-1(d)(4)(ii)), the historic business of the Target Corporation or use a significant portion of the Target Corporation's historic business assets in a business. For purposes of this representation, the historic business or assets of the Target Corporation's direct or indirect subsidiaries will be treated as a historic business or historic business assets of the Target Corporation.

(aa) At the time of each Reorganization, the Acquiring Corporation will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in the Acquiring Corporation that, if exercised or converted, would affect the Target Corporation shareholders' acquisition or retention of control of the Acquiring Corporation, as defined in section 368(a)(2)(H).

(bb) The Acquiring Corporation, the Target Corporation, and the shareholders of the Target Corporation will pay their respective expenses, if any, incurred in connection with each Reorganization.

(cc) There is no intercorporate indebtedness existing between the Acquiring Corporation and the respective Target Corporation that was issued, acquired, or will be settled at a discount.

(dd) No two parties to any Reorganization are investment companies as defined in section 368(a)(2)(F)(iii) and (iv) of the Internal Revenue Code.

(ee) The fair market value of the assets of the Target Corporation transferred to the Acquiring Corporation in each Reorganization will equal or exceed the sum of the liabilities assumed by the Acquiring Corporation in such Reorganization, plus the amount of liabilities, if any, to which the transferred assets are subject.

(ff) The Target Corporation in each Reorganization is not under the jurisdiction of a court in a title 11 or similar case within the meaning of section 368(a)(3)(A) of the Internal Revenue Code.

### **Rulings**

Based solely on the information submitted and the representations set forth above, we rule as follows regarding each Contribution, Reorganization, and Lower-Tier Transaction:

#### **The Contributions**

- (1) The Transferor Corporation will not recognize any gain or loss on the transfer of property in such Contribution to the Transferee Corporation solely in exchange for any actual issuance and any deemed issuance of the Transferee Corporation stock. Sections 351(a) and 357(a).
- (2) The Transferee Corporation will not recognize any gain or loss upon the receipt of the Transferor Corporation's assets in the Contribution. Section 1032(a).
- (3) The Transferee Corporation's basis in each asset received from the Transferor Corporation in the Contribution will equal the basis of such asset in the hands of the Transferor Corporation immediately before its transfer in such Contribution. Section 362(a).
- (4) The Transferee Corporation's holding period in each asset received from the Transferor Corporation in the Contribution will include the holding period during which the Transferor Corporation held such asset. Section 1223(2).
- (5) With respect to the Entity 2 Business B Contribution, the aggregate basis of the Transferee Corporation stock received by the Transferor Corporation in the Contribution will be the same as the aggregate basis of the property exchanged by the Transferor Corporation. Section 358(a).
- (6) With respect to each Contribution other than the Entity 2 Business B Contribution, the aggregate basis of the Transferee Corporation Stock held by the Transferor Corporation shall be increased by the aggregate basis of the contributed assets allocated between the different classes, if any, of Transferee Corporation stock held by the Transferor Corporation in proportion to the relative fair market values of the classes, and such increased basis shall not be separately tracked within any share. Section 358(a).
- (7) No Contribution to Sub 1 will result in any income or gain to Sub 9, Sub 8, Sub 4, Parent, or any of Parent's other affiliates as a result of the minority interest in Sub 1 owned by Parent's affiliates.

### The Reorganizations

- (8) For U.S. federal income tax purposes, the contribution of the stock of such Target Corporation to the respective Acquiring Corporation will be disregarded and, together with the merger or conversion of such Target Corporation will be treated as (i) a transfer by such Target Corporation of its assets to the respective Acquiring Corporation in exchange for stock of such Acquiring Corporation; and (ii) the distribution by each Target Corporation of such Acquiring Corporation stock to its shareholders in complete liquidation of such Target Corporation.
- (9) Each of the Reorganizations will qualify as a reorganization within the meaning of section 368(a)(1)(D). Each Acquiring Corporation and Target Corporation will be a “party to the reorganization” within the meaning of section 368(b).
- (10) The Target Corporation will recognize no gain or loss upon the transfer of its assets to the Acquiring Corporation in actual or deemed exchange for Acquiring Corporation stock and the assumption by such Acquiring Corporation of such Target Corporation’s liabilities. Sections 361(a) and 357(a).
- (11) The Target Corporation will recognize no gain or loss on any actual distribution and any deemed distribution of the Acquiring Corporation stock to its shareholders. Section 361(c).
- (12) Neither the Sub 2 Reorganization nor the Sub 3 Reorganization will result in any income or gain to Sub 9, Sub 8, Sub 4, Parent, or any of Parent’s other affiliates as a result of the minority interest in Sub 1 owned by Parent’s affiliates.
- (13) The Acquiring Corporation will recognize no gain or loss upon its receipt of the Target Corporation’s assets in the Reorganization. Section 1032(a).
- (14) The Acquiring Corporation’s basis in each asset received from the Target Corporation in the Reorganization will equal the basis of such asset in the hands of such Target Corporation immediately before its transfer in such Reorganization. Section 362(b).
- (15) The Acquiring Corporation’s holding period in each asset received from the Target Corporation in the Reorganization will include the holding period during which such Target Corporation held such asset. Section 1223(2).
- (16) A shareholder of the Target Corporation will recognize no gain or loss upon the receipt or deemed receipt of Acquiring Corporation stock in exchange for Target Corporation stock. Section 354(a)(1).

- (17) The aggregate basis of the Acquiring Corporation stock received or deemed received by the shareholders of the Target Corporation will be the same as the basis of the Target Corporation stock exchanged by such shareholders, allocated in the manner described in Treasury Regulation section 1.358-2(a)(2)(iii). Section 358(a) and Treas. Reg. § 1.358-2(a)(2)(iii).
- (18) The holding period of the Acquiring Corporation stock received or deemed received by the shareholders of the Target Corporation will include the holding period during which such shareholder held the Target Corporation stock deemed surrendered in exchange therefore. Section 1223(1).
- (19) The tax year of the Target Corporation will end on the effective date of the Reorganization. Section 381(b).
- (20) As provided in section 381(a), 381(c)(2) and Treasury Regulation section 1.381(a)-1(b)(2), Sub 4 will succeed to and take into account the items described in section 381(c) (including the earnings and profits or deficit in earnings and profits) of the Target Corporations in each of the Sub 2, Sub 3, and Sub 8 Reorganizations, in each case subject to the conditions and limitations specified in sections 381, 382, 383 and 384. Any deficit in the earnings and profits of the applicable Acquiring Corporation or Target Corporation could be used only to offset the earnings and profits accumulated after that time.

#### The Lower Tier Transactions

- (21) No income, gain, deduction, or loss will be recognized as a result of the Lower Tier Transactions.

#### **Caveats**

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.



**Procedural Matters**

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transactions described herein are completed. Alternatively, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to its federal income tax return that sets forth the date and control number of this ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Gerald B. Fleming  
Senior Technician Reviewer, Branch 2  
(Corporate)

cc: